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SUBJECT: Penghu in Lead to Open Taiwan's First Casino

Reference: Taipei 44

11. (SBU) Summary: Penghu County recently submitted an application to the Executive Yuan (EY) to establish a casino on the island, and will hold a legally-required referendum on the issue in August. The Ministry of Transportation and Communication (MOTC) will soon establish an interagency casino committee that will, in August, begin drafting casino-related laws and implementing regulations. End summary.

Background

12. (SBU) On 12 January, the Legislative Yuan (LY) passed amendments to Taiwan's Offshore Islands Development Act to allow casinos on islands such as Penghu, Kinmen, Matsu, or Orchid Island (reftel). The amended Act requires casinos to be located within international resorts, which also must include an international hotel and other tourism and conference facilities. In order to open a casino, the county or city in which the casino would be located must first hold a referendum, and over fifty percent of participating voters must approve the referendum. To avoid a monopoly, the authorities will likely issue two casino licenses, both of which will probably be located on the same offshore island.

13. (SBU) On May 29, the Penghu County Magistrate's office submitted an application to the EY to establish a casino on the island. Penghu Tourism Bureau Director Hong Dong-lin recently told AIT/K

Chief that Penghu plans to hold the required referendum on the issue in August.

Recent Developments

¶4. (SBU) On June 15, Wang Chih-hui, Chief of Sectoral Planning at the Council for Economic Planning and Development (CEPD), told econoff the EY has assigned the Ministry of Transportation and Communication (MOTC) with drafting implementing regulations and statutes related to casino operation. The implementing regulations, which will govern the size, location, and other aspects of possible casinos, will not need legislative approval. The statutes, however, which regulate casino operations and management, will need LY approval.

¶5. (SBU) According to Wang, the MOTC plans to quickly establish a Casino Consultative Committee (CCC) comprising experts from the MOTC, the Ministry of the Interior (MOI), the Ministry of Economic Affairs (MOEA), the Financial Services Committee (FSC) and the Council of Labor Affairs (COLA). Wang said that in late June, MOTC will hire an international consulting firm to produce a report on Taiwan's "integrated resort" market. The CCC will then use this report as a basis for drafting the casino-related regulations and statutes.

Comment

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¶6. (SBU) According to our sources at CEPD and MOTC, the Taiwan authorities would like to issue two casino licenses, preferably on one offshore island, in order to avoid having one casino monopolize the Taiwan gambling market. Although media polling suggests 70 percent of Kinmen's residents support establishing a casino on Kinmen, the Kinmen authorities have no plans to hold a referendum on the issue. Therefore, at this point Penghu looks like the likeliest site of Taiwan's first--and second--casino. End comment.

YOUNG